Loan facilities to small and medium scale industries

†862. PROF. R.B.S. VARMA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have any plan to increase loan facilities to small and medium scale industries;

(b) if so, the details thereof;

(c) the target fixed for giving loans to small and medium scale industries during the year 2004-05; and

(d) the amount of loans allocated during this period?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) A large number of Policy measures have been initiated to increase loans facilities to small and medium scale industries. Brief particulars are at Statement (*See* below).

(c) and (d) All Public Sector Banks have been advised to fix self set targets for financing SSI Sector. The loans and advances given to SSI Sector in the books of public sector banks during 2004-05 is reported at Rs. 67,634 crores.

Statement

Details of policy measures issued by RBI/Government for improving the credit flow to Small & Medium Scale Industries

1. Computation of working capital requirements of SSI units on the basis of simplified method of minimum 20% of the projected annual turnover of the unit for borrowal limits upto Rs. 5 crore.

2. Increase in the exemption limit for obtention of collateral security for all SSI loans from the existing Rs. 15 lakh to 25 lakh based on good track record and financial position of the units.
3. Composite loan limit has been increased from Rs. 50 lakh to Rs. 1 crore, announced in the Mid-Term Review of Annual Policy statement for the year 2004-05.

†Original notice of the question was received in Hindi.

4. IBA have advised the banks to adopt the interest rate bank of 2 per cent above and below its Prime Lending Rate (PLR) for secured advances. All the public sector banks have advised having issued necessary instructions to their controlling offices/branches in this regard.

5. Banks have been advised to open at least one Specialised SSI branch in each district. 497 such branches were functioning as on March, 2004.

6. Banks have been advised to develop schemes to encourage investment by SSI units in technology upgradation. Government also have a scheme of Credit Linked Capital Subsidy for the upgradation of the Small Scale Industries.

7. To mitigate the problem of delayed payment, banks have been advised to fix sub-limits within the overall working capital limits to the large borrowers specifically for meeting the payment obligation in respect of the purchases from SSI.

8. RBI in its Annual Statement 2005-06 had formulated a scheme of strategic alliance between branches of banks and branches of SIDBI located in the clusters, a scheme for "Small Enterprises Financial Centres".

Sanction of waiver claims from State Governments

863. SHRI DATTA MEGHE: Will the Minister of FINANCE be pleased to state:

(a) whether, as a part of debt consolidation and relief facility set up for State Governments, Central Government have asked States to re-work water charges and bus fares, outsource some Government services and hire civil servants on contract, as part of measures to eliminate their revenue deficit by the year 2008-09;

(b) if so, details in regard thereto;

(c) whether any monitoring Committee has been constituted to sanction waiver claims from State Government; and

(d) if so, whether States have given their consent to these measures to earn debt write off?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. Twelfth Finance